

## NEWS RELEASE

FOR RELEASE \_\_\_\_\_

Bowman and Miller, P.C. today released an audit report on Hardin County, Iowa.

The County had local tax revenue of \$20,601,743 for the year ended June 30, 2006, which included \$1,097,810 in tax credits from the state. The County forwarded \$15,750,879 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,850,864 of the local tax revenue to finance County operations, a 14.29% increase from the prior year. Other revenues included charges for services of \$3,043,144, operating grants, contributions and restricted interest of \$4,016,268, capital grants, contributions and restricted interest of \$2,120,255, local option sales tax of \$633,861, unrestricted investment earnings of \$176,940 and other general revenues of \$580,272.

Expenditures for County operations totaled \$13,499,743, a 5.3% decrease from the prior year. Expenditures included \$4,963,894 for Roads and Transportation, \$2,899,018 for Public Safety and Legal Services and \$1,795,425 for Mental Health.

A copy of the audit report is available for review in the Office of the Auditor of State and the County's Auditor's office.

# **HARDIN COUNTY**

## **Independent Auditors' Reports Basic Financial Statements and Supplementary Information Schedule of Findings and Questioned Costs**

**June 30, 2006**

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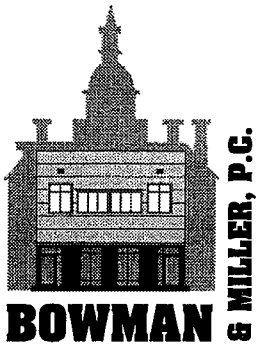
# Hardin County

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## Hardin County Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Jim Johnson	Board of Supervisors	January 2009
Ed Bear	Board of Supervisors	January 2007
Ervin Miller	Board of Supervisors	January 2007
Renee McClellan	County Auditor	January 2009
Glena Nolting	County Treasurer	January 2007
Steven A. Pence	County Recorder	January 2007
Tim Smith	County Sheriff	January 2009
Richard Dunn (resigned May 24, 2006)	County Attorney	January 2007
Randall Tilton (appointed June 28, 2006)	County Attorney	January 2007
Don Knoell	County Assessor	January 2007



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Independent Auditors' Report

To the Officials of Hardin County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hardin County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Hardin County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Hardin County at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2006 on our consideration of Hardin County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 40 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hardin County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on the financial statements for the two years ended June 30, 2005 and 2004 and a qualified opinion for the year ended June 30, 2003. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Bowman and Miller, P.C.*

October 30, 2006

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Hardin County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

## **2006 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 17%, or approximately \$2.3 million from 2005 to 2006. Tax revenues increased approximately \$586,000, operating grants and contributions increased approximately \$213,000, capital grants and contributions increased approximately \$246,000 and charges for service increased approximately \$511,000.
- Program expenses were 5.3%, or approximately \$680,000, more in 2006 than in 2005. County environment and education expenses increased approximately \$290,007 and interest on long-term debt increased approximately \$111,610.
- The County's net assets increased 11%, or approximately \$1,977,000, from June 30, 2005 to June 30, 2006.

## **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Hardin County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Hardin County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Hardin County acts solely as an agent or custodian for the benefit of those outside of the government (Agency Funds).

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.



## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services, and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements of the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Proprietary funds account for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statements of the fiduciary funds include a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. The County's combined net increased from \$17.8 million to \$19.7 million. The analysis that follows focuses on the changes in net assets for governmental activities.

#### **Net Assets of Governmental Activities (Expressed in Thousands)**

	June 30,	
	2006	2005
Current and other assets	\$ 11,915	11,480
Capital assets	20,122	18,872
Total assets	32,037	30,352
Long-term liabilities	5,870	6,473
Other liabilities	6,436	6,125
Total liabilities	12,306	12,598
Net assets:		
Invested in capital assets, net of related debt	14,572	13,067
Restricted	3,124	2,891
Unrestricted	2,035	1,796
Total net assets	\$ 19,731	17,754

The net assets of the County's governmental activities increased by eleven percent (\$19.7 million compared to \$17.8 million). The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from approximately \$1,796,000 at June 30, 2005 to approximately \$2,035,000 at the end of this year, an increase of 13.3%. The change is due to an increase in unrestricted revenues primarily relating to charges for prisoner care received from other counties.

## Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2006	2005
Revenues:		
Program revenues:		
Charges for service	\$ 3,043,144	2,532,339
Operating grants and contributions	4,016,268	3,803,734
Capital grants and contributions	2,120,255	1,874,445
General revenues:		
Property tax	4,576,131	3,989,703
Interest and penalty on property tax	55,302	49,756
State tax credits	274,733	254,532
Local option sales tax	633,861	492,430
Grants and contributions not restricted to a specific purpose	385	21,002
Unrestricted investment earnings	176,940	95,572
Other general revenues	579,887	79,919
Total revenues	15,476,906	13,193,432
Program expenses:		
Public safety and legal services	2,899,018	2,862,862
Physical health and social services	281,686	292,170
Mental health	1,795,425	1,744,671
County environment and education	1,009,048	719,041
Roads and transportation	4,963,894	4,901,531
Governmental services to residents	379,828	323,587
Administration	1,210,515	1,166,466
Non-program	663,961	624,706
Interest on long-term debt	296,368	184,758
Total expenses	13,499,743	12,819,792
Increase in net assets	\$ 1,977,163	373,640

The County's total revenues increased 17%. The total cost of all programs and services increased by 5.3%. Capital grants and contributions increased due to farm to market funds received by the County to complete road and bridge projects and a grant to fund the purchase of land for conservation.

The cost of all governmental activities this year was \$13.5 million compared to \$12.8 million last year. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$4.3 million because some of the cost was paid by those who directly benefited from the programs (\$3 million) or by other governments and organizations that subsidized certain programs with contributions and grants (\$6.1 million). Overall the County's governmental program revenues, including intergovernmental aid and fees for services increased due to contributions for bridge and road projects by the Iowa Department of Transportation. The County paid the remaining "public benefit" portion of governmental activities with approximately \$5,500,000 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements. General revenues increased due to an increase in the levy in the General Supplemental and Mental Health Funds, which generated additional tax collections. The County Environment and Education Program increased due to expenditures related to the Housing Rehabilitation Grant, which had expenditures totaling \$166,000.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As the County completed the year, its governmental funds reported a combined fund balance of \$4.89 million, which is \$280,000 less than last year's total of \$5.17 million. The following are the major reasons for the changes in fund balances from the prior year:

- General Fund's ending fund balance remained virtually unchanged from the prior year. Revenues and expenditures increased primarily due to the related income and expenses of the Housing Rehabilitation Grant.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,805,000, an increase of 4.5% from the prior year. The Mental Health Fund balance at year end decreased by approximately \$56,000 to approximately \$214,000.
- Secondary Roads Fund revenues and expenditures remained virtually unchanged from the prior year. The amount that the County transferred from the Rural Services and General Funds increased by approximately \$200,000. These changes resulted in a decrease in the Secondary Roads Fund ending balance of approximately \$357,000.

There was no significant change in the Debt Service Fund balance or the Capital Projects Fund balance.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Hardin County amended its budget two times. The first amendment was made in January 2006 and resulted in an increase in budgeted disbursements related to a Housing Rehabilitation Grant that the County received from the State of Iowa and the hiring of an information technology coordinator. The second amendment was made on June 28, 2006. This amendment was made to provide additional expenditures in certain County departments.

Even with these amendments, the County exceeded the budgeted amounts in the debt service and capital projects functions for the year ended June 30, 2006.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2006, Hardin County had approximately \$38 million invested in a broad range of capital assets, including public safety equipment, buildings, and roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$2,414,000, or 6.8% percent over last year.

Capital Assets of Governmental Activities at Year End  
(Expressed in thousands)

	June 30,	
	2006	2005
Land	\$ 515	165
Construction in progress	1,411	-
Buildings and improvements	9,157	9,157
Machinery and equipment	6,062	5,774
Infrastructure	20,854	20,489
Totals	<u>\$ 37,999</u>	<u>35,585</u>

This year's major additions included (in thousands):

Capital assets contributed by the Iowa Department of Transportation	\$ 1,411
Conservation land	350
Secondary Road dozer and motor grader	312
Roadway construction and bridge replacement	366
Total	<u>\$ 2,439</u>

The County had depreciation expense of \$1,362,041 for the year ended June 30, 2006.

The County's fiscal year 2006 capital budget included \$1,041,000 for capital projects, primarily for the continued upgrading of secondary roads and bridges. The County has no plans to issue additional debt to finance these projects. Rather, the County will use resources on hand in the County's fund balances. More detailed information about the County's capital assets is presented in Note 6 to the financial statements.

### Long-Term Debt

At June 30, 2006, the County had approximately \$5,870,000 in bonds and other debt compared to approximately \$6,473,000 at June 30, 2005, as shown below.

Outstanding Debt of Governmental Activities at Year-End

	June 30,	
	2006	2005
General obligation bonds	\$ 5,550,000	5,805,000
Drainage warrants	12,519	383,354
Compensated absences	307,029	284,487
Totals	<u>\$ 5,869,548</u>	<u>6,472,841</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this \$30 million limit. Compensated absences include accrued vacation pay. More detailed information about the County's long-term debt is presented in Note 7 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Hardin County's elected and appointed officials and citizens considered many factors when setting the 2007 fiscal year budget, tax rates and fees that will be charged for various County activities. One of those factors is the economy. The County's population declined by 1.5% from 1990 to 2000. During that time, Iowa's population increased 5.4%. Currently, Hardin County's population is 18,805 and has a higher proportion of older people (age 65+) than the State. The proposed budget for fiscal year 2007 includes some increases above the current budget in both the revenue and expenditure categories.

The County anticipates some improvement in total assessed valuations due to expansion of value-added agricultural enterprises, such as bio diesel and ethanol plants, as well as improved prices of agricultural commodities, which will be reflected in the productivity factor. However, residential rollbacks may off-set some of these increases.

The County continues to seek ways to contain costs by sharing programs and personnel with other counties; and to increase revenues through user fees, grants and contracts rather than solely relying on tax income.

The County's share of total property tax collections is about 20%. The remaining 80% of property tax collections are disbursed to the school districts, community colleges, city governments, townships, extension service, and other entities within the County.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Hardin County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Hardin County Courthouse, 1215 Edgington Avenue, Eldora, Iowa.

Hardin County  
Statement of Net Assets  
June 30, 2006

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 5,639,468
Receivables:	
Property tax:	
Delinquent	31,571
Succeeding year	5,128,283
Interest and penalty on property tax	43,761
Accounts	35,711
Accrued interest	12,167
Drainage assessments	90,388
Due from other governments	533,205
Inventories	401,260
Capital assets (net of accumulated depreciation)	20,121,771
<b>Total assets</b>	<u>32,037,585</u>
<b>Liabilities</b>	
Accounts payable	1,000,358
Accrued interest payable	51,496
Salaries and benefits payable	33,374
Due to other governments	223,167
Deferred revenue:	
Succeeding year property tax	5,128,283
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	330,000
Compensated absences	307,029
Portion due or payable after one year:	
General obligation bonds	5,220,000
Drainage warrants/drainage improvement certificates payable	12,519
<b>Total liabilities</b>	<u>12,306,226</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	14,571,771
Restricted for:	
Supplemental levy purposes	293,991
Secondary roads purposes	435,436
Mental health purposes	194,414
Capital projects	603,008
Other purposes	1,597,209
Unrestricted	2,035,530
<b>Total net assets</b>	<u>\$ 19,731,359</u>

Hardin County  
Statement of Activities  
Year ended June 30, 2006

		Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses	Service		
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety and legal services	\$ 2,899,018	1,928,237	9,622	-
Physical health and social services	281,686	-	48,250	-
Mental health	1,795,425	184,588	820,361	-
County environment and education	1,009,048	40,281	264,140	306,000
Roads and transportation	4,963,894	63,628	2,736,130	1,689,959
Governmental services to residents	379,828	328,588	635	124,296
Administration	1,210,515	12,864	83,535	-
Non-program	663,961	484,958	53,595	-
Interest on long-term debt	296,368	-	-	-
Total	<u>\$ 13,499,743</u>	<u>3,043,144</u>	<u>4,016,268</u>	<u>2,120,255</u>

**General Revenues:**

Property and other county tax levied for:

- General purposes
- Tax increment financing

Interest and penalty on property tax

State tax credits

Local option sales tax

Grants and contributions not restricted to specific purpose

Unrestricted investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year



---

Net (Expense)  
Revenue and  
Changes  
in Net Assets

---

(961,159)

(233,436)

(790,476)

(398,627)

(474,177)

73,691

(1,114,116)

(125,408)

(296,368)

---

(4,320,076)

---

4,535,851

40,280

55,302

274,733

633,861

385

176,940

579,887

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6,297,239

---

1,977,163

17,754,196

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\$ 19,731,359

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Hardin County  
Balance Sheet  
Governmental Funds  
June 30, 2006

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 1,659,619	432,725	563,910	664,240
Receivables:				
Property tax:				
Delinquent	20,025	5,246	6,300	-
Succeeding year	3,009,209	760,000	1,359,074	-
Interest and penalty on property tax	43,761	-	-	-
Accounts	33,403	30	-	2,278
Drainage assessments	-	-	-	-
Accrued interest	4,322	-	-	-
Due from other governments	194,534	31,181	75,696	204,572
Inventories	-	-	-	401,260
<b>Total assets</b>	<b>\$ 4,964,873</b>	<b>1,229,182</b>	<b>2,004,980</b>	<b>1,272,350</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	129,891	32,044	854	697,569
Salaries and benefits payable	3,968	1,705	4,584	23,117
Due to other governments	4,702	216,433	-	2,032
Deferred revenue:				
Succeeding year property tax	3,009,209	760,000	1,359,074	-
Other	63,565	5,220	6,277	-
Total liabilities	3,211,335	1,015,402	1,370,789	722,718
Fund balances:				
Reserved for:				
Supplemental levy purposes	293,991	-	-	-
Drainage warrants/drainage improvement certificates	-	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	1,459,547	-	-	-
Special revenue funds	-	213,780	634,191	549,632
Capital projects fund	-	-	-	-
Total fund balances	1,753,538	213,780	634,191	549,632
<b>Total liabilities and fund balances</b>	<b>\$ 4,964,873</b>	<b>1,229,182</b>	<b>2,004,980</b>	<b>1,272,350</b>

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
356	575,786	1,131,420	5,028,056
-	-	-	31,571
-	-	-	5,128,283
-	-	-	43,761
-	-	-	35,711
-	-	90,388	90,388
-	-	7,845	12,167
-	27,222	-	533,205
-	-	-	401,260
356	603,008	1,229,653	11,304,402
-	-	-	860,358
-	-	-	33,374
-	-	-	223,167
-	-	-	5,128,283
-	-	90,388	165,450
-	-	90,388	6,410,632
-	-	-	293,991
-	-	44,696	44,696
356	-	-	356
-	-	-	1,459,547
-	-	1,094,569	2,492,172
-	603,008	-	603,008
356	603,008	1,139,265	4,893,770
356	603,008	1,229,653	11,304,402





Debt Service	Capital Projects	Non-major Special Revenue	Total
-	158,465	40,280	5,210,970
-	-	-	38,510
-	121,220	313,316	6,900,497
-	-	-	8,167
-	-	10,756	487,803
-	-	37,611	245,267
-	-	72,817	191,215
-	279,685	474,780	13,082,429
-	-	-	2,885,183
-	-	-	285,407
-	-	-	1,804,829
-	-	374,688	1,341,057
-	-	-	4,666,208
-	-	30,658	382,062
-	-	-	1,201,490
-	-	145,545	201,437
428,393	-	93,595	521,988
-	137,082	-	137,082
428,393	137,082	644,486	13,426,743
(428,393)	142,603	(169,706)	(344,314)
428,000	-	77,081	1,635,081
-	-	(77,081)	(1,635,081)
-	-	66,078	66,078
428,000	-	66,078	66,078
(393)	142,603	(103,628)	(278,236)
749	460,405	1,242,893	5,172,006
356	603,008	1,139,265	4,893,770

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
Year Ended June 30, 2006

**Net change in fund balances - Total governmental funds (page 18)** **\$ (278,236)**

*Amounts reported for governmental activities in the Statement of Activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the useful life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 1,199,884	
Capital assets contributed by the Iowa Department of Transportation	1,411,942	
Depreciation expense	<u>(1,362,041)</u>	1,249,785

Because some of the revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds as follows:

Property taxes	80,281
----------------	--------

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayment is as follows:

Repaid	625,835
--------	---------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(22,542)	
Interest on long-term debt	<u>(29,380)</u>	(51,922)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The net revenue of the Internal Service Fund is reported with the governmental activities.

351,420

**Change in net assets of governmental activities (page 13)** **\$ 1,977,163**

Hardin County  
Statement of Net Assets  
Proprietary Fund  
June 30, 2006

Exhibit G

	<u>Internal Service - Employee Group Health</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 611,412
<b>Liabilities</b>	
Accounts payable	<u>140,000</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ 471,412</u></u>



Hardin County  
Statement of Revenues, Expenses and Changes  
in Fund Net Assets  
Proprietary Fund  
Year Ended June 30, 2006

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds	\$ 1,089,352	
Reimbursements from others	319,971	
Insurance reimbursements	2,919	
Total operating revenues		<u>1,412,242</u>
Operating expenses:		
Medical claims	\$ 766,504	
Insurance premiums	198,884	
Administrative fees	72,272	
Miscellaneous	25,978	
Operating income		<u>1,063,638</u>
		348,604
Non-operating revenues:		
Interest income		<u>2,816</u>
Net income		351,420
Net assets beginning of year		<u>119,992</u>
Net assets end of year		<u><u>\$ 471,412</u></u>

Hardin County  
Statement of Cash Flows  
Proprietary Fund  
Year Ended June 30, 2006

Exhibit I

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,089,352
Cash received from others	322,890
Cash payments to suppliers for services	(1,063,638)
Net cash provided by operating activities	<u>348,604</u>
Cash flows from investing activities:	
Interest on investments	<u>2,816</u>
Net increase in cash and cash equivalents	351,420
Cash and cash equivalents at beginning of year	<u>259,992</u>
Cash and cash equivalents at end of year	<u><u>\$ 611,412</u></u>
Reconciliations of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 348,604</u>
Net cash provided by operating activities	<u><u>\$ 348,604</u></u>

Hardin County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2006

Exhibit J

**Assets**

Cash and pooled investments:

County Treasurer	\$ 802,904
Other County officials	100,765

Receivables:

Property tax:

Delinquent	150,776
Succeeding year	14,599,238

Drainage	697
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Accounts	50,053
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<b>Total assets</b>	<u>15,704,433</u>
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**Liabilities**

Accounts payable	22,074
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Due to other governments	15,568,976
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Trusts payable	103,918
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Compensated absences	9,465
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<b>Total liabilities</b>	<u>15,704,433</u>
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**Net Assets**

<u>\$ -</u>
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# Hardin County

## Notes to Financial Statements

### June 30, 2006

#### **(1) Summary of Significant Accounting Policies**

Hardin County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

##### **A. Reporting Entity**

For financial reporting purposes, Hardin County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Hardin County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One hundred sixty-five drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Hardin County Board of Supervisors. These drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Hardin County Auditor's office. Fifty-three drainage districts are under control of another county or a drainage board elected by the general population, thus, they are not included as blended component units, but are reported in the Agency funds of the County.

Hardin County  
Notes to Financial Statements  
June 30, 2006

(1) **Summary of Significant Accounting Policies (continued)**

A. Reporting Entity (continued)

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Hardin County Assessor's Conference Board, Hardin County Joint E-911 Service Board and Hardin County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following additional jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Heartland Risk Pool Insurance, Solid Waste Commission, Multi-County Cooperative Child Support Agreement, County Case Management Services, Mid-Iowa Drug Task Force, Northeast Iowa Response Group, Region 6 Planning Commission and Central Iowa Juvenile Detention Center.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

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The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

Hardin County  
Notes to Financial Statements  
June 30, 2006

**(1) Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation (continued)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Hardin County  
Notes to Financial Statements  
June 30, 2006

**(1) Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation (continued)**

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

**C. Measurement Focus and Basis of Accounting**

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

Hardin County  
Notes to Financial Statements  
June 30, 2006

(1) **Summary of Significant Accounting Policies (continued)**

C. Measurement Focus and Basis of Accounting (continued)

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For the purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year.



Hardin County  
Notes to Financial Statements  
June 30, 2006

(1) **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities and Fund Equity (continued)

However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2005.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessment Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same penalties and interest as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

# Hardin County

## Notes to Financial Statements

### June 30, 2006

#### (1) Summary of Significant Accounting Policies (continued)

##### D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	30-50
Building improvements	20-50
Infrastructure	12-65
Equipment	5-10
Vehicles	5-10

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Hardin County  
Notes to Financial Statements  
June 30, 2006

**(1) Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities and Fund Equity (continued)**

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets – The net assets of the Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the capital projects and debt service functions and disbursements in certain departments exceeded the amounts appropriated.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

# Hardin County

## Notes to Financial Statements

### June 30, 2006

#### (2) Cash and Pooled Investments (continued)

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,541 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk. The investment in Iowa Public Agency Investment Trust is unrated.

#### (3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 1,130,000
Debt Service	General	428,000
Special Revenue: TIF Bond Payment Fund	Special Revenue: TIF Bond Fund	6,200
	Pine Lake Corn Processor TIF	<u>70,881</u>
Total		\$ <u>1,635,081</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

# Hardin County

## Notes to Financial Statements

### June 30, 2006

#### (4) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of the covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$248,242, \$228,263 and \$219,169, respectively, equal to the required contributions for each year.

#### (5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 4,702
Special Revenue:		
Secondary Road	Services	2,032
Mental Health	Services	216,433
		<u>218,465</u>
Total for governmental funds		\$ <u>223,167</u>
Agency:		
County Assessor	Collections	\$ 214,553
Schools		9,649,247
Community Colleges		646,554
Corporations		3,973,344
Townships		302,098
Auto License and Use Tax		333,666
E-911 Surcharge		108,534
Empowerment		56,479
All Other		284,501
Total for agency funds		\$ <u>15,568,976</u>

Hardin County  
Notes to Financial Statements  
June 30, 2006

(6) Capital Assets

Capital asset activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 165,475	350,000	-	515,475
Construction in progress	-	1,411,942	-	1,411,942
Total capital assets not being depreciated	165,475	1,761,942	-	1,927,417
Capital assets being depreciated:				
Buildings and improvements	9,156,944	-	-	9,156,944
Equipment and vehicles	5,774,424	516,022	228,517	6,061,929
Infrastructure, road network	20,488,861	365,562	-	20,854,423
Total capital assets being depreciated	35,420,229	881,584	228,517	36,073,296
Less accumulated depreciation for:				
Buildings and improvements	1,548,613	203,204	-	1,751,817
Equipment and vehicles	3,435,181	472,671	196,817	3,711,035
Infrastructure, road network	11,729,924	686,166	-	12,416,090
Total accumulated depreciation	16,713,718	1,362,041	196,817	17,878,942
Total capital assets being depreciated, net	18,706,511	(480,457)	31,700	18,194,354
Governmental activities capital assets, net	\$ 18,871,986	1,281,485	31,700	20,121,771

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 177,632
Physical health and social services	2,499
Mental health	3,795
County environment and education	41,329
Roads and transportation	1,077,345
Governmental services to residents	20,491
Administration	38,950
Total depreciation expenses - governmental activities	<u>\$1,362,041</u>

# Hardin County

## Notes to Financial Statements

### June 30, 2006

#### (7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	General Obligation Bonds	Compensated Absences	Drainage Warrants	Total
Balance beginning of year	\$ 5,805,000	284,487	383,354	6,472,841
Increases	-	22,542	-	22,542
Decreases	255,000	-	370,835	625,835
Balance end of year	\$ 5,550,000	307,029	12,519	5,869,548
Due within one year	\$ 330,000	307,029	-	637,029

#### Drainage Warrants/Drainage Improvement Certificates Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing those assessments or installments due from the landowner are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest paid to the bearer of the certificate upon receipt of the installment payment plus interest, from the landowner.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

Hardin County  
Notes to Financial Statements  
June 30, 2006

**(7) Changes in Long-Term Liabilities (continued)**

Bonds Payable

A summary of the County's June 30, 2006, general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2007	3.20-4.80	330,000	253,914	583,914
2008	3.25-5.10	370,000	199,233	569,233
2009	3.25-5.30	385,000	186,780	571,780
2010	3.38-5.40	390,000	173,790	563,790
2011	3.38-5.40	405,000	160,244	565,244
2012	3.38-5.40	425,000	145,975	570,975
2013	3.50-5.40	440,000	130,745	570,745
2014	3.60-5.40	450,000	114,455	564,455
2015	3.63-4.05	435,000	97,395	532,395
2016	3.75-4.10	455,000	81,265	536,265
2017	4.00-4.15	470,000	63,887	533,887
2018	4.00-4.25	440,000	44,952	484,952
2019	4.35	100,000	25,313	125,313
2020	4.45	105,000	20,963	125,963
2021	4.55	110,000	16,290	126,290
2022	4.65	115,000	11,285	126,285
2023	4.75	125,000	5,938	130,938
Total		<u>\$ 5,550,000</u>	<u>1,732,424</u>	<u>7,282,424</u>

During the year ended June 30, 2006, the County retired \$255,000 of bonds.

**(8) Hardin County Employee Group Health Fund**

The Hardin County Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Employee Group Services, Ltd. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$50,000. Claims in excess of coverage are insured through purchase of stop loss insurance. Monthly payments of service fees and plan contributions to the Hardin County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Gallagher Benefits, Inc. from the Hardin County Employee Group Health Fund. The County records the plan assets and related liabilities of the Hardin County Health Insurance fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2006 was \$1,089,352.



# Hardin County

## Notes to Financial Statements

### June 30, 2006

#### (8) Hardin County Employee Group Health Fund (continued)

Amounts payable from the Employee Group Health Insurance Fund at June 30, 2006 total \$140,000 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$471,412 at June 30, 2006 and is reported as a designation of the Employee Group Health Fund retained earnings. A liability has been established based on the requirements of Government Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. Information on a reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at beginning of year	\$ 140,000
Incurred claims (including claims incurred but not reported as of June 30, 2006)	766,504
Payments on claims during the fiscal year	<u>766,504</u>
Unpaid claims at end of year	<u>\$ 140,000</u>

#### (9) Operating Leases

The County has entered into a lease for operating space used by Mental Health for operation of their clubhouse and a lease for a new postage machine through Pitney Bowes. The leases expire at April 30, 2009 and June 30, 2011, respectively. The following is a schedule by year of the total annual lease cost required under the operating leases.

Year Ending June 30,	Annual Rent Due
2007	\$ 13,320
2008	13,320
2009	12,270
2010	7,020
2011	<u>6,435</u>
Total	<u>\$ 52,365</u>

The total annual lease costs for the year ended June 30, 2006 were \$6,885.

# Hardin County

## Notes to Financial Statements

### June 30, 2006

#### **(10) Risk Management**

Hardin County is a member in the Heartland Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Risk Pool (Pool) is a local government risk-sharing pool with ten counties as members. The Pool was formed July 1, 1987 for the purpose of managing and funding third-party liability claims against its members.

The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, law enforcement liability, property, inland marine and workers' compensation. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Any year end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2006, were \$349,801.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains automobile and general liability risks in excess of \$250,000 up to \$1,000,000 per claim. The Pool retains workers' compensation risks in excess of \$350,000 up to \$1,000,000 per claim. Automobile and general liability claims exceeding \$1,000,000 are reinsured in an amount not to exceed \$3,000,000 per claim. Workers' compensation claims exceeding \$1,000,000 are reinsured in an amount not to exceed \$2,000,000. Crime lines of business risks are retained by the Pool up to \$25,000 per occurrence. Automobile physical damage risks are retained by the Pool up to the replacement cost of the vehicle. All property, inland marine, boiler, public officials errors and omissions, business income and expense and law enforcement liability risks are also reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protections provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total member's equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Hardin County  
Notes to Financial Statements  
June 30, 2006

**(10) Risk Management (continued)**

Initial membership into the risk pool is for a mandatory three year period. Subsequent to the initial term, a member County may withdraw at the end of any given fiscal year. The initial membership period for Hardin County commenced July 1, 1987 and is subject to renewal every three years. The County also carries commercial insurance purchased from other insurers for coverage associated with property, inland marine, data processing, boiler/machinery, police professional and public officials' liability insurance programs. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Hardin County  
 Budgetary Comparison Schedule of  
 Receipts, Disbursements and Changes in Balances -  
 Budget and Actual (Cash Basis) - All Governmental Funds  
 Required Supplementary Information  
 Year Ended June 30, 2006

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 5,159,103	-
Interest and penalty on property tax	38,585	-
Intergovernmental	6,614,758	-
Licenses and permits	8,937	-
Charges for service	481,926	-
Use of money and property	243,443	-
Miscellaneous	297,265	53,595
Total receipts	<u>12,844,017</u>	<u>53,595</u>
Disbursements:		
Public safety and legal services	2,914,929	-
Physical health and social services	276,736	-
Mental health	1,819,219	-
County environment and education	941,462	-
Roads and transportation	3,978,428	-
Governmental services to residents	380,000	-
Administration	1,208,942	-
Non-program	195,875	145,545
Debt service	521,989	-
Capital projects	1,040,862	-
Total disbursements	<u>13,278,442</u>	<u>145,545</u>
Excess (deficiency) of receipts over (under) disbursements	(434,425)	(91,950)
Other financing sources, net	<u>66,078</u>	<u>66,078</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(368,347)	(25,872)
Balance beginning of year	<u>5,396,403</u>	<u>70,568</u>
Balance end of year	<u>\$ 5,028,056</u>	<u>44,696</u>

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
5,159,103	5,118,490	5,118,490	40,613
38,585	30,200	30,200	8,385
6,614,758	6,069,799	6,897,507	(282,749)
8,937	7,975	7,975	962
481,926	509,450	513,450	(31,524)
243,443	161,275	161,275	82,168
243,670	105,300	159,300	84,370
12,790,422	12,002,489	12,888,197	(97,775)
2,914,929	2,760,978	2,925,254	(10,325)
276,736	328,549	334,003	(57,267)
1,819,219	1,739,815	1,836,123	(16,904)
941,462	854,774	1,179,894	(238,432)
3,978,428	3,913,615	4,013,615	(35,187)
380,000	342,995	397,800	(17,800)
1,208,942	1,168,999	1,293,323	(84,381)
50,330	61,630	462,141	(411,811)
521,989	521,589	521,589	400
1,040,862	922,000	922,000	118,862
13,132,897	12,614,944	13,885,742	(752,845)
(342,475)	(612,455)	(997,545)	655,070
-	-	-	-
(342,475)	(612,455)	(997,545)	655,070
5,325,835	5,117,851	5,117,851	207,984
4,983,360	4,505,396	4,120,306	863,054

Hardin County  
 Budgetary Comparison Schedule -  
 Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year Ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 12,844,017	238,412	13,082,429
Expenditures	13,278,442	148,301	13,426,743
Net	(434,425)	90,111	(344,314)
Other financing sources	66,078	-	66,078
Beginning fund balances	5,396,403	(224,397)	5,172,006
Ending fund balances	<u>\$ 5,028,056</u>	<u>(134,286)</u>	<u>4,893,770</u>

# Hardin County

## Notes to Required Supplementary Information-

### Budgetary Reporting

#### June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service, and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,270,798. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the capital projects and debt service functions and disbursements in certain departments exceeded the amounts appropriated.

Hardin County  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2006

	Resource Enhancement and Protection	TIF Bond Payment	TIF Repayment	Pine Lake Corn Processors TIF	Carbo Tech TIF
<b>Assets</b>					
Cash and pooled investments	\$ 28,765	2	6,224	9,706	7,860
Receivables:					
Accrued interest	-	-	-	-	-
Drainage assessments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 28,765</b>	<b>2</b>	<b>6,224</b>	<b>9,706</b>	<b>7,860</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Deferred revenue	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund Balances:					
Fund balances:					
Reserved for drainage warrants/drainage improvement certificates	-	-	-	-	-
Unreserved	28,765	2	6,224	9,706	7,860
Total fund balances	28,765	2	6,224	9,706	7,860
<b>Total liabilities and fund balances</b>	<b>\$ 28,765</b>	<b>2</b>	<b>6,224</b>	<b>9,706</b>	<b>7,860</b>



State Forfeiture Fund	County Recorder's Records Management	County Recorder's Electronic Transactions	Drainage Districts	Hardin County Conservation Reserve Trust	Conservation Land Acquisition Trust	Total
519	32,339	2	44,696	999,328	1,979	1,131,420
-	-	-	-	7,845	-	7,845
-	-	-	90,388	-	-	90,388
519	32,339	2	135,084	1,007,173	1,979	1,229,653
-	-	-	90,388	-	-	90,388
-	-	-	90,388	-	-	90,388
-	-	-	44,696	-	-	44,696
519	32,339	2	-	1,007,173	1,979	1,094,569
519	32,339	2	44,696	1,007,173	1,979	1,139,265
519	32,339	2	135,084	1,007,173	1,979	1,229,653

Hardin County  
Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Special Revenue Funds  
Year Ended June 30, 2006

	Resource Enhancement and Protection	TIF Bond Money	TIF Bond Payment	TIF Repayment
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	6,797	-	-	-
Charges for service	-	-	-	-
Use of money and property	514	-	-	-
Miscellaneous	-	-	-	-
Total revenues	7,311	-	-	-
Expenditures:				
Operating:				
Maintenance and operations	12,190	-	-	-
Recreation and environmental education	-	-	-	-
Recording of public documents	-	-	-	-
Non-program	-	-	-	-
Debt service	-	-	-	-
Total expenditures	12,190	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(4,879)	-	-	-
Other financing sources (uses):				
Operating transfers in (out):				
Tax increment financing bond payment fund	-	(77,081)	-	6,200
Proceeds from drainage warrants/drainage improvement certificates	-	-	-	-
Total other financing sources (uses)	-	(77,081)	-	6,200
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(4,879)	(77,081)	-	6,200
Fund balances beginning of year	33,644	77,081	2	24
Fund balances end of year	\$ 28,765	-	2	6,224

Pine Lake Corn Processors TIF	Carbo Tech TIF	State Forfeiture Fund	County Recorder's Records Management	County Recorder's Electronic Transactions	Drainage Districts	Hardin County Conservation Reserve Trust	Conservation Land Acquisition Trust	Total
-	40,280	-	-	-	-	-	-	40,280
-	-	519	-	-	-	306,000	-	313,316
-	-	-	4,769	-	-	5,987	-	10,756
-	-	-	635	-	-	36,462	-	37,611
-	-	-	-	-	53,595	19,222	-	72,817
-	40,280	519	5,404	-	53,595	367,671	-	474,780
-	-	-	-	-	-	-	-	12,190
-	-	-	-	-	-	362,498	-	362,498
-	-	-	17,060	13,598	-	-	-	30,658
-	-	-	-	-	145,545	-	-	145,545
61,175	32,420	-	-	-	-	-	-	93,595
61,175	32,420	-	17,060	13,598	145,545	362,498	-	644,486
(61,175)	7,860	519	(11,656)	(13,598)	(91,950)	5,173	-	(169,706)
70,881	-	-	-	-	-	-	-	-
-	-	-	-	-	66,078	-	-	66,078
70,881	-	-	-	-	66,078	-	-	66,078
9,706	7,860	519	(11,656)	(13,598)	(25,872)	5,173	-	(103,628)
-	-	-	43,995	13,600	70,568	1,002,000	1,979	1,242,893
9,706	7,860	519	32,339	2	44,696	1,007,173	1,979	1,139,265

Hardin County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	2,358	40,376	119,345	8,079
Other County officials	100,765	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,162	1,172	61,238	4,297
Succeeding year	-	170,999	199,634	9,468,664	634,178
Drainage	-	-	-	-	-
Accounts	1,884	-	-	-	-
<b>Total assets</b>	<b>\$ 102,649</b>	<b>174,519</b>	<b>241,182</b>	<b>9,649,247</b>	<b>646,554</b>
<b>Liabilities</b>					
Accounts payable	-	-	19,427	-	-
Due to other governments	19,385	174,519	214,553	9,649,247	646,554
Trusts payable	83,264	-	-	-	-
Compensated absences	-	-	7,202	-	-
<b>Total liabilities</b>	<b>\$ 102,649</b>	<b>174,519</b>	<b>241,182</b>	<b>9,649,247</b>	<b>646,554</b>

Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax	Empowerment	Local Emergency Management Services
65,808	3,484	34	18,931	333,666	56,479	16,376
-	-	-	-	-	-	-
81,342	1,548	17	-	-	-	-
3,826,194	297,066	2,503	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,973,344	302,098	2,554	18,931	333,666	56,479	16,376
-	-	-	-	-	-	124
3,973,344	302,098	2,554	18,931	333,666	56,479	13,989
-	-	-	-	-	-	-
-	-	-	-	-	-	2,263
3,973,344	302,098	2,554	18,931	333,666	56,479	16,376

Hardin County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds (Continued)  
June 30, 2006

	E-911 Surcharge	E-911	Third Party Payees	Drainage Districts	Other	Total
<b>Assets</b>						
Cash and pooled investments:						
County Treasurer	\$ 62,888	15,772	15,216	13,976	30,116	802,904
Other County officials	-	-	-	-	-	100,765
Receivables:						
Property tax:						
Delinquent	-	-	-	-	-	150,776
Succeeding year	-	-	-	-	-	14,599,238
Drainage	-	-	-	697	-	697
Accounts	48,169	-	-	-	-	50,053
<b>Total assets</b>	<b>\$ 111,057</b>	<b>15,772</b>	<b>15,216</b>	<b>14,673</b>	<b>30,116</b>	<b>15,704,433</b>
<b>Liabilities</b>						
Accounts payable	\$ 2,523	-	-	-	-	22,074
Due to other governments	108,534	15,772	-	14,673	24,678	15,568,976
Trusts payable	-	-	15,216	-	5,438	103,918
Compensated absences	-	-	-	-	-	9,465
<b>Total liabilities</b>	<b>\$ 111,057</b>	<b>15,772</b>	<b>15,216</b>	<b>14,673</b>	<b>30,116</b>	<b>15,704,433</b>

Hardin County  
Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds  
Year Ended June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 83,921	168,559	203,584	8,757,301	572,131
Additions:					
Property and other county tax	-	161,041	189,599	8,778,174	612,102
E-911 surcharge	-	-	-	-	-
State tax credits	-	9,656	9,733	488,535	32,954
Grants	-	-	-	-	-
Interest	400	-	-	-	-
Office fees and collections	2,067,891	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	546,642	-	-	-	-
Miscellaneous	-	-	3,793	-	-
Total additions	2,614,933	170,697	203,125	9,266,709	645,056
Deductions:					
Agency remittances:					
To other funds	1,940,932	-	-	-	-
To other governments	122,904	164,737	165,527	8,374,763	570,633
Trusts paid out	532,369	-	-	-	-
Total deductions	2,596,205	164,737	165,527	8,374,763	570,633
Balances end of year	\$ 102,649	174,519	241,182	9,649,247	646,554

Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax	Drivers License	Empower- ment
3,649,918	271,608	2,456	8,548	355,626	-	48,506
4,901,856	282,675	2,355	-	-	-	-
-	-	-	-	-	-	-
267,883	14,176	140	-	-	-	-
-	-	-	-	-	-	231,007
-	-	-	-	-	-	1,697
-	-	-	-	-	-	-
-	-	-	-	4,287,494	-	-
-	-	-	-	-	47,731	-
-	-	-	65,797	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
5,169,739	296,851	2,495	65,797	4,287,494	47,731	232,704
-	-	-	-	131,907	25,557	-
4,846,313	266,361	2,397	55,414	4,177,547	22,174	224,731
-	-	-	-	-	-	-
4,846,313	266,361	2,397	55,414	4,309,454	47,731	224,731
3,973,344	302,098	2,554	18,931	333,666	-	56,479



Hardin County  
Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds (Continued)  
Year Ended June 30, 2006

	Local			Tax Sale	Third
	Emergency	E-911		Redemption	Party
	Management	Surcharge	E-911	Non-County	Payees
	Services				
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 20,276	50,590	15,772	-	12,763
Additions:					
Property and other county tax	-	-	-	-	-
E-911 surcharge	-	136,369	-	-	-
State tax credits	-	-	-	-	-
Grants	17,596	-	-	-	-
Interest	-	1,125	-	-	-
Office fees and collections	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	-	219,432	95,043
Miscellaneous	66,515	6,943	-	-	-
Total additions	84,111	144,437	-	219,432	95,043
Deductions:					
Agency remittances:					
To other funds	-	-	-	-	-
To other governments	88,011	83,970	-	219,432	-
Trusts paid out	-	-	-	-	92,590
Total deductions	88,011	83,970	-	219,432	92,590
Balances end of year	\$ 16,376	111,057	15,772	-	15,216

Drainage Districts	Other	Total
19,136	26,786	14,267,481
-	-	14,927,802
-	-	136,369
-	-	823,077
-	-	248,603
-	-	3,222
-	-	2,067,891
-	-	4,287,494
-	-	47,731
1,984	-	67,781
-	24,059	885,176
-	3,887	81,138
1,984	27,946	23,576,284
-	-	2,098,396
6,447	24,616	19,415,977
-	-	624,959
6,447	24,616	22,139,332
14,673	30,116	15,704,433

## Hardin County

Schedule 5

Schedule of Revenues By Source and Expenditures By Function -  
All Governmental Funds  
For the Last Four Years

Modified Accrual Basis				
	2006	2005	2004	2003
Revenues:				
Property and other county tax	\$ 5,210,970	4,472,523	5,029,708	4,972,117
Interest and penalty on property tax	38,510	38,758	41,442	38,503
Intergovernmental	6,900,497	5,625,385	5,580,865	5,549,483
Licenses and permits	8,167	7,212	4,203	5,950
Charges for service	487,803	424,210	455,355	427,616
Use of money and property	245,267	153,148	167,378	238,403
Miscellaneous	191,215	160,412	221,207	234,694
Total	<u>\$ 13,082,429</u>	<u>10,881,648</u>	<u>11,500,158</u>	<u>11,466,766</u>
Expenditures:				
Operating:				
Public safety and legal services	2,885,183	2,613,136	2,610,147	2,646,807
Physical health and social services	285,407	287,207	279,862	312,188
Mental health	1,804,829	1,726,207	1,597,490	1,678,845
County environment and education	1,341,057	656,683	704,672	719,988
Roads and transportation	4,666,208	4,526,263	4,008,562	4,834,721
Governmental services to residents	382,062	308,862	305,226	287,908
Administration	1,201,490	1,079,749	1,065,655	1,046,562
Non-program	201,437	226,005	1,746,781	529,323
Debt service	521,988	430,939	434,295	436,286
Capital projects	137,082	57,300	83,579	398,474
Total	<u>\$ 13,426,743</u>	<u>11,912,351</u>	<u>12,836,269</u>	<u>12,891,102</u>

Hardin County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2006

Schedule 6

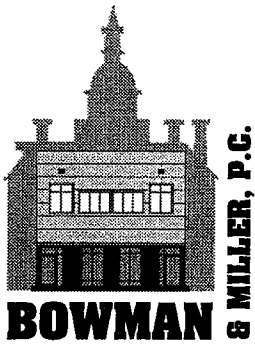
Grantor/Program	CFDA Number	Agency or Pass- through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food			
Stamp Program	10.561		\$ <u>6,852</u>
U.S. Department of Justice:			
Iowa Department of Public Health:			
Public Education on Drug Abuse Information	16.005		<u>900</u>
U. S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursement:			
Temporary Assistance for Needy Families	93.558		<u>8,275</u>
Child Care Mandatory & Matching Funds of the			
Child Care and Development Fund	93.596		<u>1,992</u>
Foster Care-Title IV-E	93.658		<u>4,248</u>
Adoption Assistance	93.659		<u>1,067</u>
Medical Assistance Program	93.778		<u>10,821</u>
Social Services Block Grant	93.667		<u>4,868</u>
Social Services Block Grant	93.667		<u>69,040</u>
			<u>73,908</u>
Iowa Department of Education:			
Temporary Assistance for Needy Families	93.558		<u>186,617</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grant:			
Home Investment Partnerships Program	14.239	05-HM-101-69	<u>165,968</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Homeland Security Grant Program	97.067		<u>7,556</u>

Hardin County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2006

Schedule 6

Grantor/Program	CFDA Number	Agency or Pass- through Number	Program Expenditures
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	CO64(81)-8J-64	190,694
Total			\$ 658,898

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Hardin County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Officials of Hardin County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hardin County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated October 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hardin County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Hardin County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hardin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

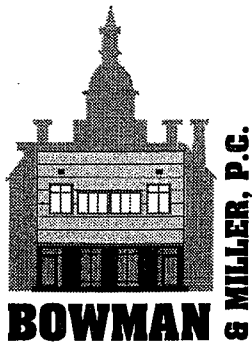
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Hardin County and other parties to whom Hardin County may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Hardin County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Bowman and Miller, P.C.*

October 30, 2006



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Officials of Hardin County:

Compliance

We have audited the compliance of Hardin County, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Hardin County's major federal programs are identified in Part 1 of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Hardin County's management. Our responsibility is to express an opinion on Hardin County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hardin County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Hardin County's compliance with those requirements.

In our opinion, Hardin County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Hardin County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Hardin County's internal control over compliance with requirements that could have a



direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts, and grant agreements that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Hardin County and other parties to whom Hardin County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Bowman and Miller, P.C.*

October 30, 2006

Hardin County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2006

**Part I: Summary of the Independent Auditors' Results:**

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (e) The major programs were:
  - CFDA Number 93.558 – Temporary Assistance for Needy Families
  - CFDA Number 14.239 – Home Investment Partnerships Program
- (f) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (g) Hardin County did not qualify as a low-risk auditee.

Hardin County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2006

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

II-A-06 Segregation of Duties - During our review of the internal control structure, the existing control procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.

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Applicable  
Offices

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Recorder

(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.

Recorder

(3) Checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve vouchers for payment.

Recorder

Recommendation - We realize that with a limited number of office employees segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Hardin County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2006

**Part II: Findings Related to the Financial Statements:**

Response – With two employees in the Recorder’s office, segregation of responsibilities is difficult and at times impossible. There are times when there is only one employee in the office. It would be necessary to use the resources from other offices to eliminate the current condition. I have reviewed the recommendations given and will make the adjustments I can to improve the procedures in my office.

Conclusion – Response accepted.

- II-B-06 Warrants Prepared and Held at Year End - Warrants were prepared and signed in payment of equipment not received. The warrants were then held until the items were received. Board approval was received prior to the preparation of those warrants.

Recommendation - The procedure described above in the comment weakens the control that the Board has over disbursements since not all of the supporting documentation was available for payment. Therefore, it is recommended that no warrants be prepared for claims that have not been properly audited and allowed.

Response – We will implement the procedure of requiring a “Date Received” on claims to be paid the last month or two of the fiscal year. If the item or service has not been received by fiscal year end, the claim will not be paid.

Conclusion – Response accepted.

**Part III: Other Findings Related to Required Statutory Reporting:**

- III-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the capital projects and debt service functions. Disbursements in certain departments exceeded the amount appropriated.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

# Hardin County

## Schedule of Findings and Questioned Costs

### Year Ended June 30, 2006

Response – Due to costs of doing budget amendments we try to keep the amendments at a minimum. An IT department was set up after the fiscal year began, and services were being funded that were also not included in the 2005-2006 budget, so costs exceeded appropriated amounts. We will make an effort to amend the budget when necessary in the future.

Conclusion – Response accepted.

- III-B-06 Questionable Expenditures – We noted no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-06 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- III-D-06 Business Transactions – No business transactions between the County and County officials or employees were noted.
- III-E-06 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.
- III-F-06 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-G-06 Deposits and Pooled Investments – We noted no instances of non-compliance with the deposits and pooled investments provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policies.
- III-H-06 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-J-06 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2006 for the County Extension Office did not exceed the amount budgeted.

## Hardin County Audit Staff

This audit was performed by:

Bowman and Miller, P.C.  
Certified Public Accountants  
Marshalltown, Iowa

### Personnel:

Elizabeth A. Miller, CPA, Principal

Debra J. Osborn, CPA, Principal